National Association of Regulatory Utility Commissioners

NARUC

December 22, 2004

VIA ELECTRONIC FILING

Marlene Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

RE: Notice of Ex Parte Comments In the Matter of Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92

Dear Secretary Dortch:

On Wednesday, December 22, 2004, Commissioner and Staff Members of the National Association of Regulatory Utility Commissioners (NARUC) Task Force on Intercarrier compensation made an oral presentation to FCC decisional personnel via a conference call.

FCC Staff on the call: Jane Jackson, Tamara Priest, Lisa Gelb, Randy Clark, Steve Morris, and Victoria Schlesinger

NARUC Commissioners on the call: Elliott Smith [IUB], Task Force Chair, Ray Baum [OR], Tony Clark [ND – Telecommunications Committee Vice Chair], Tom Dunleavy [NY – Telecommunications Committee Vice Chair], Larry Landis [IN], & Bob Nelson [MI – Telecommunications Committee Chair]

NARUC Staff on the Call: Berhane Adhanom [MA], Penny Baker [IA], Peter Blum [VT], Carl Johnson [NY], Mike Lee [MT], Andrew Margeson [OR], Robert Mayer [NY], Phil Nyegaard [OR], Brad Ramsay [NARUC GC], John Ridgway [IA], Joel Shifmann [ME], Monica Tranel [MT], & Rudi Sastra [CA].

IMPORTANT CAVEAT: The Task Force straw document is still very much a work in progress designed to stimulate further discussions with stakeholders. It is not a NARUC proposal or document and has no approval from any standing committee or executive officer of the association. It will likely be modified, possibly substantially, as a result of further discussions before being taken to the NARUC full Telecommunications Committee hopefully this February. The proposal is being socialized with stakeholders along with a list of questions about the proposals.

The Task Force used four starting principles as a basis for coming up with this first draft proposal. A sustainable proposal would be (i) compatible with existing law, (ii) avoid arbitrage through unified rates for *all* intercarrier traffic that are viable in a competitive market, (iii) protect universal service by reforming the way funds are collected and distributed, and (iv) maintain a proper balance between FCC and State roles.

Commissioner Smith explained that the straw document, *for States that opt in*, unifies compensation for origination and termination for *each ILEC* at rates based on forward-looking costs. There are no Origination Charges. (Although an alternative proposal with such charges is included as an addendum). Carriers can negotiate any rate. The default termination charge is $.002 per minute. Carriers can propose different termination charge based on the standard in §252. CLECs can charge no more than ILEC charges without a separate cost showing. The compensation agreements are subject to approval by States under §252(e). The plan discusses an optional additional termination charge of $.01 per minute for rural high cost exchanges as an offset to claims on the Universal Service Fund. Within five years, all charges for origination/termination are converted to port charges. Straw document adopts as a starting point for discussions, the ICF plan for transport and tandem transit. Plan also proposes a Rural Access Charge Transition Fund - to offset reductions in access charges for rural companies in first three years as long as that company's earnings are not unreasonable.

On Universal Service, the document proposes consideration of unit charge for connections, bandwidth, and possibly telephone numbers to collect funds. On the distribution side, the plan, within three years, converts disbursements to a block grant (still collected and distributed by USAC). *The State commissions that participate in the unified intercarrier charge proposal are allowed to determine the distribution of funds within its State subject to FCC guidelines and review and conditioned on carrier demonstrations that funds are being used for rate relief or infrastructure development in supported exchanges.* FCC acts if State does not opt in. the FCC allocations of funds would not be less than the funds that State received in 2004 (at a level sufficient to meant the standards of §254(b)(3)) based on a national benchmark level for local exchange network cost recovery.

A prominent feature of the proposal is for the FCC to consult with the Federal-State Joint Boards prior to adopting a final comprehensive program and also after the plan's adoption on implementation issues.

If you have any questions about this filing, the attachments, or any other NARUC position, please do not hesitate to contact me at 202.898.2207 or jramsay@naruc.org.

Sincerely,

James Bradford Ramsay
NARUC General Counsel

cc: Chris Libertelli
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